

Settlement Agreement and Mutual Release

This Settlement Agreement and Mutual Release ("Agreement") is dated as of August 4, 2006, and is entered into by and among: (i) the State of Indiana ("State"), (ii) the City of East Chicago ("City" or "East Chicago"), (iii) the Attorney General of Indiana ("Attorney General") on the one hand; and (iv) Kimberly K. Anderson, on the other hand.

For valuable consideration, the sufficiency of which is hereby expressly acknowledged, the Settling Parties agree as follows:

1. In addition to any other terms defined elsewhere in this Agreement, the following terms shall have the following meanings in this Agreement:

a. "Government Releasees" means each of the following persons (in the capacities indicated below) and entities, jointly and severally, and in the capacities indicated below: each of the Government Settling Parties and each of their respective past, present, and future divisions, officials, officers, directors, employees, agents, attorneys, representatives, instrumentalities, assignors, assignees, predecessors, successors, transferors, transferees.

b. "Government Settling Parties" means the State, the City, and the Attorney General.

c. "RICO Lawsuit" means the action styled *State of Indiana, ex rel. Steve Carter, Attorney General of Indiana, et al. v. Robert A. Pastrick, et al.*, pending in the United States District Court for the Northern District of Indiana, South Bend Division, Cause No. 3:04-cv-506-AS-CAN.

d. "Anderson Releasees" means Kimberly K. Anderson, her heirs, assigns, representatives, executors and administrators.

e. "Anderson Settling Parties" means Kimberly K. Anderson, her heirs, assigns, representatives, executors and administrators.

f. "Settling Parties" means the Government Settling Parties (State, City, and Attorney General) and Anderson Settling Parties.

g. "Effective Date" means the date on which the last Settling Party has executed this Agreement.

2. To avoid the expense, time demands, and uncertainty of ongoing litigation, and without making any admission of any kind, the Settling Parties all desire to resolve, compromise, and settle all actual and potential litigation and claims among them concerning the RICO Lawsuit, including without limitation all claims that were asserted or could have been asserted in the RICO Lawsuit.

3. As part of this Agreement, Kimberly K. Anderson agrees to cooperate with the Attorney General by making any relevant documents in her possession available to the Attorney General for inspection and copying, and by making herself available as a witness to provide interviews, sworn statements, and testimony regarding any knowledge or involvement in the facts and circumstances giving rise to the RICO lawsuit. Kimberly K. Anderson agrees to cooperate fully, truthfully, and candidly with the Attorney General or his designated representatives as to any knowledge of or involvement in facts and circumstances giving rise to the RICO Lawsuit, including but not limited to providing sworn statements and affidavits and to testify truthfully and completely before the court in the RICO Lawsuit.

4. The Government Settling Parties shall dismiss with prejudice all claims that each of them, jointly or severally, has asserted or could have asserted in the RICO Lawsuit against Kimberly K. Anderson.

5. Each of the Settling Parties shall act in good faith to effect the timely dismissal of its respective claims or counterclaims against any other Settling Party.

6. The Government Settling Parties hereby completely release, forever discharge, and covenant not to sue the Anderson Releasees as to any and all possible past, present, and future claims of any kind or nature whatsoever, known or unknown, that arise out of or are related to any facts or circumstances existing on or before the Effective Date concerning the facts and circumstances giving rise to the RICO Lawsuit, including without limitation all claims that were or could have been asserted in the RICO Lawsuit. The release provided for in this Section shall not bar any claim for breach of this Agreement.

7. With the exception of her counterclaim against the City of East Chicago, Indiana, for payment of attorneys' fees and costs, now pending in the Lake County Superior Court Rm. # 2, under Cause No. 45D10-0503-PL-32, the Anderson Settling Parties hereby completely release, forever discharge, and covenant not to sue each of the Government Releasees as to any and all possible past, present, and future claims of any kind or nature whatsoever, known or unknown, that arise out of or are related to any facts or circumstances existing on or before the Effective Date concerning the RICO Lawsuit, including without limitation all claims that were or could have been asserted in the RICO Lawsuit. The Anderson Settling Parties are not releasing claims to have their legal fees and cost paid by the City of East Chicago under Ordinance No. 0-02-0011 and past practice of the City of East Chicago, Indiana, asserted in Cause No. 45D10-0503-PL-32 and this Agreement shall not be construed as a waiver of said counterclaim. The Government

Releasees do not waive any defenses or claims relating to the Kimberly K. Anderson counterclaim against the City of East Chicago, Indiana, for payment of attorneys' fees and costs in both Cause No. 45D10-0503-PL-32 now pending in Lake County Superior Court Rm. 2 or in the RICO Lawsuit. The releases provided for in this Section shall not bar any claim for breach of this Agreement.

8. Each of the Settling Parties represents and warrants that it has not heretofore assigned or transferred (or purported to assign or transfer) to any person or entity any of the claims such Settling Party has released in Sections 6 or 7 of this Agreement, as the case may be.

9. Each of the Settling Parties acknowledges and agrees that each of its promises, obligations, actions, and undertakings pursuant to this Agreement is supported by good and sufficient consideration.

10. This Agreement shall not be construed as an admission of liability or wrongdoing by the Settling Parties. Kimberly K. Anderson specifically denies any liability or wrongdoing. Kimberly K. Anderson agrees that except to comply with legal obligations or to respond to civil, criminal, administrative or other proceedings, she will not make any public statement or file any document that either admits or denies liability. This agreement does not in any way restrict or limit Kimberly K. Anderson from testifying truthfully in the event testimony is given on matters related to the RICO Lawsuit.

11. In the event of any litigation arising out of or relating to this Agreement, the prevailing Settling Party(ies) shall recover from the non-prevailing Settling Party(ies) all costs and expenses paid or incurred by the prevailing Settling Party(ies) in such proceeding, including but not limited to reasonable attorneys' fees, expert witness fees, and any arbitration fees or expenses initially paid or shared by, or initially allocated to, such prevailing Settling Party(ies).

12. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of Indiana, without regard to conflicts-of-law principles.

13. Each of the Settling Parties represents and warrants that no other person or entity has, or has had, any interest in the claims, demands, obligations, causes of action, or defenses referred to in this Agreement; and that the signatory for each party signing this Agreement has the right and authority to execute this Agreement.

14. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute a single agreement.

15. This Agreement shall be binding upon and inure to the benefit of the Settling Parties and each of their respective predecessors, successors, and assigns, as well as any entities with which any of them have merged or consolidated, or with which any of them may merge or consolidate in the future. None of the provisions of this Agreement are intended to be, nor shall they be deemed to be, for the benefit of any other person or entity, including but not limited to the other named defendants in the RICO Lawsuit.

16. If any provision of this Agreement is unlawful, invalid, or unenforceable for any reason that does not affect the remaining provisions of this Agreement, then all such remaining provisions shall be valid and enforceable as if the unlawful, invalid, or unenforceable provision or provisions had not been included in this Agreement.


17. No rights under this Agreement may be waived or varied except by an express waiver or variation made in writing and signed by the Settling Party against whom the waiver or variation is asserted.


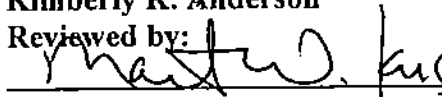
18. For purposes of construing this Agreement, the Settling Parties agree that this Agreement is to be deemed to have been drafted equally by all Settling Parties and shall not be construed strictly for or against any Settling Party.

19. Each of the Settling Parties understands, agrees and intends that this Agreement shall completely and finally resolve, compromise, and settle all actual and potential litigation and claims between and among them concerning the RICO Lawsuit. The Settling Parties further agree after execution of this Agreement each will, upon reasonable request of the other or its counsel, execute and deliver such other documents and instruments and take such other actions as may be required or reasonably necessary to carry out the provisions or intent of this Agreement.

20. With respect to the subject matters contained in this Agreement, this Agreement and the Exhibits attached to it: (a) supersede any and all prior discussions, understandings and agreements between and among the Settling Parties; (b) contain the sole and entire understanding of the Settling Parties; and (c) constitute the final and complete expression of the intent of the Settling Parties. The terms of this Agreement may not be amended, modified, or otherwise altered except by means of a subsequent written document signed by all of the Settling Parties or their designees.

21. Each of the persons executing this Agreement on behalf of a Settling Party represents that he/she is expressly authorized to do so by such Settling Party.


Doug Webber, Deputy Attorney General,
On Behalf of Steve Carter, the Attorney
General, , the State of Indiana and the
City of East Chicago


Kimberly K. Anderson
Reviewed by:

Martin W. Kus
Attorney for Kimberly Anderson